

Service Date: June 12, 1989

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER Of The Application )  
Of PACIFICORP For An Order Authori- )  
zing It To (1) Issue Its Promissory )  
Notes To and Borrow From Commercial )  
Banks For (a) Not More Than )  
\$350,000,000 Under A Revolving )  
Credit Agreement, ) and (b) Not )  
More Than \$375,000,000 Under Other )  
Borrowing Arrangements; and (2) Is- )  
sue and Sell Its Commercial Paper )  
In Principal Amounts Outstanding Not )  
To Exceed \$375,000,000 At Any One )  
Time. )  
\_\_\_\_\_ )

UTILITY DIVISION

DOCKET NO. 89.6.13

DEFAULT ORDER NO. 5413

On May 22, 1989, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing PacifiCorp to (1) issue, from time to time through June 30, 1992, its unsecured short-term promissory notes (Promissory Notes) to and borrow from U. S. or foreign commercial banks (or their affiliates) under the following facilities:

- (a) Not more than \$350,000,000 in aggregate principal amount outstanding at any one time under a Revolving Credit

Agreement (Agreement), provided that such notes mature not later than June 30, 1992; and

- (b) Not more than \$375,000,000 in aggregate principal amount outstanding at any one time under other borrowing arrangements (Other Arrangements), provided that such notes mature not later than June 30, 1993;

and (2) issue and sell its commercial paper (Paper) in the U. S. or overseas, from time to time through June 30, 1992, in aggregate principal amounts outstanding not to exceed \$375,000,000 at any one time, provided that the Paper mature not later than June 30, 1992; provided that the aggregate principal amounts outstanding under the Agreement, Other Arrangements and Paper shall not exceed \$375,000,000 at any one time.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena,

Montana, on June 12, 1989, there came before the Commission for final action the matters and things in Docket No. 89.6.13, and the Commission, having fully considered the application and all data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

#### FINDINGS OF FACT

1. PacifiCorp is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. PacifiCorp is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. Pursuant to a Plan of Reorganization and Merger, as amended, PacifiCorp, a Main corporation, and Utah Power & Light Company, a Utah corporation (UP&L), merged with and into the Company.

The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of the merger and changing the state of incorporation of PacifiCorp from Maine to Oregon. At the time of the merger, the Company changed its name to PacifiCorp. The Company uses the assumed business name of either Pacific Power & Light Company or Utah Power & Light Company within their respective service territories located in the states of Oregon, Utah, Washington, Idaho, Wyoming, Montana and California.

4. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Company proposes to enter into an Agreement pursuant to which it could issue, from time to time, its unsecured, short-term

notes to certain foreign and domestic commercial banks (or their affiliates) in amounts not exceeding \$350,000,000 aggregate principal amount at any one time outstanding. Morgan Guaranty Trust Company of New York has been selected to act as Agent for the banks under the Agreement. The Company expects that it will be able to borrow and reborrow from the banks under the Agreement up to the amounts committed through June 30, 1992.

7. Under the Agreement, the Company expects to have a variety of interest rate options.

The Company may borrow at the Base Rate, which is the higher of the Agent's prime rate or the federal funds rate plus 0.50 percent per annum and may vary daily.

The Company may borrow at an Adjusted CD Loan (CD Loan) rate, which is equal to the average rate bid by dealers for the purchase of the certificates of deposit of certain Reference Banks named in the Agreement, plus a margin of 0.3125 percent per annum. In the event the Company's First Mortgage and Collateral Trust Bonds are rated at or below Baa2 by Moody's and at or below BBB by Standard & Poor's, the rate for CD loans will include a margin of 0.375 percent per annum. The average rate will be adjusted for reserve requirements imposed by the Federal Reserve System and for insurance assessments imposed by the Federal Deposit Insurance Corporation.

The Company may borrow at an Adjusted LIBOR Loan (LIBOR Loan) rate, which is equal to the average rate per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market two Euro-Dollar Business Days before the first day of the interest period, plus a margin of 0.1875 percent per annum. In the event the Company's First Mortgage and Collateral

Trust Bonds are rated at or below Baa2 and BBB, the rate for LIBOR Loans will include a margin of 0.25 percent per annum. The average rate will be adjusted to reflect the Euro-Dollar Reserve Percentage.

The Company will also have available the ability to borrow at money market rates (Money Market Loans) which include a LIBOR loan rate and an absolute rate loan rate. The LIBOR loan rate will be determined through an auction procedure where the syndicate banks furnish bids based on LIBOR to the Agent. The absolute loan rate will also be determined through an auction procedure but will be a fixed absolute rate. If the bids are unacceptably high or are insufficient in amount, the Company may cancel the auction.

Interest is payable at the end of each applicable Interest Period or, if earlier, quarterly or upon repayment of any loan.

The Company will pay an arrangement fee of \$100,000 to the Agent at closing. A facility fee of 0.125 percent per annum is payable quarterly in arrears to the banks on the amount of the commitment, whether used or unused. In the event the Company's First Mortgage and Collateral Trust Bonds are rated at or below Baa2 and BBB, a commitment fee of 0.025 percent per annum will be payable quarterly in arrears on the unused portion of the commitment in addition to the facility fee. An administrative fee of \$25,000 is also payable to the Agent annually in arrears. In the event of a Money Market Loan auction, the Agent will receive an auction fee of \$2,500 per auction, payable quarterly in arrears.

The Company may prepay Base Rate Loans at any time on one business day's notice. CD, LIBOR and Money Market Loans may be

prepaid subject to compensation to the banks for any funding losses.

At its option, the Company may reduce the total banks' commitment in an amount not less than \$10 million or may terminate the facility.

8. Under the Other Arrangements, the Company expects to borrow at a rate no greater than the Company would pay for borrowings under the Agreement. If the Company elects to enter into committed arrangements a commitment fee of not more than 0.125 percent of the unused portion of the commitment will be payable quarterly in arrears.

The letters evidencing the Other Arrangements are expected to be for one or two year periods. However, the Company requests that the notes under the Other Arrangements be issued until June 30, 1992, provided that the notes may mature up to one year after that date.

9. The Company proposes to issue its Paper to one or more commercial paper dealers (Dealers) who may be investment or commercial bankers. Prior to its expected issuance date, the Company will notify one or more Dealers of the date and the required amounts.

The Paper has a maturity of no more than 270 days from the date of issuance if issued in the U.S. and not more than one year if issued overseas. The Paper will not mature later than June 30, 1992.

10. The Paper may or may not be interest bearing, but if non-interest bearing the Paper will be discounted from its face value to yield a market interest rate. The Dealers will resell the Paper at a higher price to afford them a commission that is not expected to

exceed 0.20 percent. To assure purchasers of the Company's Paper sold abroad that they will receive the return anticipated at the time of purchase, the Company is required to agree to pay such purchasers who are United States aliens, if necessary, a "gross-up" amount. This gross-up amount would be paid as additional interest in an amount sufficient to provide any holder who is a United States alien a net payment, after withholding in respect of United States tax, not less than the amount provided in such note to be then due and payable on such note. This gross-up provision is substantially similar to provisions found in the Company's other overseas borrowing agreements. While no gross-up for withholding is anticipated, the Company would, if such payments become required, cease issuing Paper to those purchasers that are affected. However, the Company could not retire any affected outstanding notes until maturity.

11. The Company estimates that the expenses associated with establishing the foregoing facilities are as follows:

<u>ESTIMATED FACILITIES' EXPENSES</u>	
Regulatory Agency Fees:	
FERC	\$ 3,430
State Commissions	\$ 250
Agent Fees	\$100,000
Counsel Fees - Company	\$ 50,000
Counsel Fees - Banks	\$ 50,000
Miscellaneous Expenses	<u>\$ 21,320</u>
TOTAL	<u>\$225,000</u>

12. The net proceeds from the issuance of Promissory Notes and Paper will be used to reimburse the Company's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes

authorized by Section 69-3-501, MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

13. The Company's reimbursable expenditures on March 31, 1989 exceed \$375,000,000, the maximum borrowing available under the Agreement, the Other Arrangements and the Paper. The Company shall not borrow under the Agreement, the Other Arrangements and the Paper an amount which exceeds the reimbursable expenditures then available at the time of borrowing.

14. The Company states that the purposes of the proposed authority are to:

- (a) Secure sources of committed funds available to the Company to finance its short-term capital requirements (Agreement and Other Arrangements) and to serve as back-up for the issuance of its Paper;
- (b) Have the option to borrow under multiple facilities from a variety of competing sources to provide lower cost alternatives under differing market conditions; and
- (c) Reimburse the Company's treasury for funds expended for utility purposes from income and from other treasury funds that were not derived from the issuance of securities.

15. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.



CONCLUSIONS OF LAW

The proposed issuance of Promissory Notes under the Agreement and Other Arrangements and the issuance of its Paper will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on May 22, 1989, for authority to (1) issue, from time to time through June 30, 1992, its unsecured short-term promissory notes (Promissory Notes) to and borrow from U.S. or foreign commercial banks (or their affiliates) under the following facilities:

- (a) Not more than \$350,000,000 in aggregate principal amount outstanding at any one time under a Revolving Credit Agreement (Agreement), provided that such notes mature not later than June 30, 1992; and
- (b) Not more than \$375,000,000 in aggregate principal amount outstanding at any one time under other borrowing arrangements (Other Arrangements), provided that such notes mature not later than June 30, 1993;

and (2) issue and sell its commercial paper (Paper) in the U.S. or overseas, from time to time through June 30, 1992, in aggregate

principal amounts outstanding not to exceed \$375,000,000 at any one time, provided that the Paper mature not later than June 30, 1992, pursuant to Sections 69-3-501 through 59-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The aggregate principal amounts outstanding under the Agreement, Other Arrangements and Paper shall not exceed \$375,000,000 at any one time.

3. The authority granted in Docket Nos. 86.1.3 and 86.5.24 relating to the Revolving Credit Agreement, the Renewable General Lines of Credit, the Other Arrangements and commercial paper is superseded by the issuance of this order, provided that the foregoing shall not affect the validity of any currently outstanding unsecured short-term promissory notes or commercial paper issued pursuant to such prior authority.

4. PacifiCorp shall file as they become available:

1. The Report of Securities Issued in the form required by 18 CFR 34.10.
2. A true copy of the Revolving Credit Agreement.
3. For each year of the Revolving Credit Agreement, a verified statement showing in reasonable detail the disposition of the proceeds.

5. Issuance of this order does not constitute acceptance of PacifiCorp exhibits or other material accompanying the application for any purpose other than the issuance of this order.

6. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of the Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

8. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana this 12th day of June, 1989, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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WALLACE W. "WALLY" MERCER, Commissioner

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JOHN DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Ann Purcell  
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.